

**REGIONAL OFFICES
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Region I: 346 Broadway, New York, New York 10013 (Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, Vermont)

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HUD CONSUMER BULLETIN

662

THE LEASING PROGRAM

for low-income families

ADMINISTERED BY LOCAL HOUSING AUTHORITIES



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Robert C. Weaver, Secretary
FEDERAL HOUSING ADMINISTRATION
Washington, D.C. 20410

"Now we can move forward to help hundreds of thousands of poor families raise their children in clean and decent surroundings."

Lyndon B. Johnson

A program of Federal assistance was enacted in 1965 to aid local housing authorities in providing quarters for low-income families in dwellings leased from private owners.

This newest type of housing assistance is known as the Section 23 Leasing Program—because it is the twenty-third section of the basic law authorizing Federal assistance for low-income families, the United States Housing Act of 1937.

The Leasing Program is designed to:

- Enable and encourage private real-estate interests to participate more directly in meeting the housing needs of low-income families.
- Provide homes for those in need more rapidly than new housing can be built.
- Help localities make better use of their housing stocks.
- Encourage the physical upgrading of neighborhoods.

The Housing and Urban Development Act of 1965 authorizes funds to permit the leasing of approximately 10,000 dwelling units during the fiscal year that began July 1, 1965. The total number of dwelling units is expected to be increased to an estimated 40,000 by the end of the four years covered by the 1965 Act.

Before passage of Section 23, leased-housing programs for low-income families had been tested on a demonstration basis in the District of Columbia; New Haven, Connecticut; Ann Arbor, Michigan; Chicago, Illinois; and Boston, Massachusetts. In each locality the program proved to be workable and effective.

How the Program Operates

Section 23 operates through local housing authorities, as does the "conventional" housing-assistance program. Section 23 is a far simpler program, however, and can be placed in operation more quickly.

Local housing authorities may be established for municipalities or counties pursuant to State law. Only Utah and Wyoming now lack legislation to set them up.

Any legally constituted local housing authority may now seek authorization for a leased-housing program. The local governing body must, by resolution, approve such a program. There must also be enough dwelling units available so that the program will not put a strain on the total housing supply. To protect the public interest, certain requirements must be met and certain procedures followed. (See heading, "Requirements and Procedures.")

Various types of leasing arrangements are possible. These include:

- A lease between the local housing authority and the owner, with a sublease to the tenant.
- A contract between the local housing authority and the owner guaranteeing payment of a certain rental for certain dwellings, the actual lease being between the tenant and the owner.

Arrangements for paying rent may take different forms. For example:

- The tenant may pay his share directly to the local housing authority, which pays to the owner the rent agreed upon in the lease or contract.
- The tenant and the local housing authority may pay their respective shares directly to the owner.
- The local housing authority may send its share through the tenant, who includes it with his payment to the owner.

The difference between what the low-income tenant can afford to pay for rent and utilities and their actual cost is made up by Federal contributions. The Federal share may not exceed the Federal contribution that would be available for a newly built project to accommodate comparable numbers, sizes, and kinds of families.

Because of the special needs of elderly, disabled, and handicapped persons and families, an additional Federal contribution of up to \$120 a year may be made to assist such persons and families in meeting rentals. Under certain conditions, displaced persons and families also are eligible for the extra contribution.

Under the leased-housing program, the "owner" need not be the legal titleholder to the property. The "owner" may be a profit-motivated "middleman," such as a private real-estate broker or management firm; or a nonprofit religious, labor, or other organization.

Advantages of the Leasing Program

In some instances, leasing housing for low-rent use may have distinct advantages over constructing or acquiring it. Leased-housing can be useful in a community as short-term supplements to the basic supply of housing owned by the local housing authority.

Specific needs which may be served are:

- Relocation for displaced low-income families and individuals.
- A "soft" housing market, i.e., a supply of unoccupied, unused dwelling units beyond the financial reach of low-income families.
- Temporary placement of low-income families in decent housing while the community proceeds with construction leading to an adequate, permanent low-rent housing supply. Through use of leased housing, families can be housed without having to wait for sites to be acquired and new buildings erected.

- The upgrading of privately owned, deteriorating residential properties. The incentive of an assured rental income over the period of a leasing agreement encourages private owners to bring up to and maintain their property in standard condition.
- Keeping large houses on the market for the use of large families. A leasing program encourages the owners of large homes not to cut them up into small apartments.
- Housing low-income families who do not like to live in projects. Tenants under the leased-housing program can live in private apartment buildings, two-family houses, or single-family houses.
- Continuing to house tenants whose incomes rise above low-rent eligibility limits, but who do not want to move. If both parties agree, such tenants may either become regular tenants of the landlord or eventually purchase their homes.
- Continuation of properties on local real-estate tax rolls. Private landlords continue to pay their real-estate taxes. The program is a local resource for absentee owners for leasing and managing their properties, and for organizations—religious, ethnic, fraternal, labor—interested in finding suitable housing for low-income families.

Requirements and Procedures

The local housing authority initiates the program by surveying the local rental market to determine the number and rental of available units. In so doing the local authority seeks the cooperation of local real-estate brokers and their agents. Other sources of information about vacancies and anticipated vacancies also are studied.

The owners of available housing, or “middlemen” acting for them, are then

invited to make one or more of their dwellings available for use of the local housing authority. The leasing program is entirely a voluntary one. The right of condemnation, or eminent domain, is not permitted.

Housing offered in response to the invitation is inspected. All apartments and houses to be leased must be decent, safe, and sanitary, or improved to that condition by the owner prior to leasing. In general, to be acceptable the accommodations should at least meet code requirements and be situated in satisfactory residential neighborhoods accessible to public transportation, schools, and shopping districts.

Rentals must be moderate. Even with Federal assistance, high-rent housing cannot be brought within reach of low-income families. The rent to the owner cannot be higher than the amount of the Federal assistance plus the amount the low-income family can afford to pay—which is usually between 20 and 25 percent of its income.

If the rentals to be charged are proper and economically feasible, the local housing authority approves the units and leasing contracts may be entered into. The standard lease form prevailing in the community is used to the extent possible.

The contract may provide that the owner, or his agent, select the tenants, or if the owner prefers, the local housing authority may be fully responsible for tenant selection. Tenants must be found eligible by the authority. In general, these are families in the lowest income group who cannot afford to rent or buy decent private housing. Under any type of tenant selection, the authority retains the sole right to give a tenant notice to vacate, but will consider complaints or other representations from the owner as to termination of tenancy.

A contract between the local housing authority and the owner must be for a term of not less than one year nor more than five¹⁴ may provide for renewal.

The agreement between the owner and the local housing authority must contain a provision that the owner will not, in the selection or approval of tenants, in provision of services, or in any other way, discriminate against any person on the grounds of race, color, creed, or national origin.

Federal financial assistance given the local housing authority for rent payments is made in accordance with an annual contributions contract between the authority and the Department of Housing and Urban Development.

Agreement with the Office of Economic Opportunity

HUD and OEO have agreed to coordinate the leasing program with the war-on-poverty program. Under this agreement, OEO financial support may be offered local OEO-funded community action agencies for:

- Hiring poverty families to find suitable housing available for leasing—in fact, the community action agency may hire poverty families to find their own accommodations.
- Providing preoccupancy training and counseling to families moving into leased units and assisting with the moving itself.
- Assisting in compiling market data needed by a local authority to prepare an application for a leasing program.
- Counseling and assisting tenants preparing to leave leased housing to take best advantage of housing opportunities available in the private market.

More detailed information about the leased-housing program and the housing-assistance program in general may be obtained from the Department of Housing and Urban Development, Washington, D.C. 20410, or from its Regional Offices.

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**HUD IP-3
March 1967**

